

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

In the matter of:)	
)	Docket No. RM99-2-000
Regional Transmission Organizations)	
Notice of Intent To Consult Under)	
Section 202(a) of the Federal Power Act)	
)	

**COMMENTS OF THE
TENNESSEE REGULATORY AUTHORITY**

The following are the initial comments of the Tennessee Regulatory Authority ("TRA") in the above referenced docket. We appreciate the opportunity to participate in this forum and to share our concerns. It is our intention to attend the St. Louis conference currently scheduled for February 11, 1999.

1. Overall Comments

Tennessee is the only state that is served almost entirely by a federal utility, the Tennessee Valley Authority ("TVA"). As such, many of the issues that face other states do not currently apply to Tennessee. TVA, in effect, already serves as a RTO for Tennessee. TVA offers open access transmission, there are no significant transmission constraints within the TVA area, and TVA implements a Code of Conduct for nondiscriminatory access to the transmission grid.

2. Regional District Boundaries

The NERC Security Coordinator Areas may be the appropriate regions within which to establish an RTO. TVA is already a large control region and is one of the 23 NERC Security Coordinator Areas. The potential costs, benefits, and reliability of establishing an RTO should also be considered in determining the appropriate size for an RTO.

3. Role of the States in RTO Regulation

Currently, the TRA does not oversee TVA's transmission system, or any other TVA operations. Instead, TVA sets the rates for transmission service within its service territory, as well as the rates of its distributors. The result is that Tennessee enjoys some of the lowest electric rates in the nation. TVA also controls the siting of any new transmission facilities. Absent any change in federal laws regarding TVA, it is not clear that the TRA or Tennessee would play a role in the regulation of an RTO.

4. Potential Benefits of Regional Transmission Organizations

The TRA agrees that electric markets are becoming regional in scope, and that the grid is being used in new and innovative ways. We expect this to continue in the future. The TVA transmission grid appears to be more than adequate to address these challenges. In addition, TVA has already separated its merchant and transmission functions in order to offer nondiscriminatory access to its transmission grid for those who wish to wheel power outside its service territory.

5. Conclusion

Since TVA already effectively serves as an RTO in Tennessee, it may be that no further action is necessary at this time. However, the TRA realizes that the U.S. electric industry is currently going through a period of rapid change. The TRA and Tennessee can best prepare for this change through a continuing dialog with FERC and other states on these issues.